

Legislative Bulletin.....November 8, 2005

Contents:

H.R. 4241 – Deficit Reduction Act – Title VI

Title VI – Committee on Resources

Background: Under the budget resolution (H. Con. Res. 95), the House authorizing committees were instructed to find savings to reduce the growth in mandatory spending. The House Resources Committee was originally tasked with finding \$2.4 billion in savings as part of a \$35 billion package of savings over five years. Once the Republican Conference adopted the more ambitious goal of \$50 billion in savings over five years, the authorizing committees were expected to find additional savings.

Savings to Taxpayers: According to CBO, Title VI would increase federal receipts (a credit against spending and therefore a form of savings) by \$3.678 billion over five years (see Table 1). Such savings amount to 6.8% of the \$53.9 billion deficit reduction package.

Table 1. Savings/Spending, Outlays In Millions

Committee on Resources	2006	2006-10
Oil and Gas Leasing in ANWR	0	-2,501
Oil and Gas Leasing within the Outer Continental Shelf (OCS)	0	-891
Mining on Federal Lands	-1	-158
Sale of Federal Lands	-5	-128
Total Savings	-6	-3,678

Committee Action: On October 26, 2005, the House Resources Committee reported its submissions to the House Budget Committee to be compiled into one reconciliation package along with the submissions of the other authorizing committees. On November 3rd, the Budget Committee reported the package, the Deficit Reduction Act, for consideration by the full House of Representatives.

Summary by Subtitle:

Subtitle A: Arctic Coastal Plain Domestic Energy

- **Oil and Gas Leasing:** Allows for oil and gas leasing in Alaska’s Arctic National Wildlife Refuge (ANWR) that would result in an “environmentally sound program for the exploration, development, and production” of the oil and gas in ANWR. The Secretary of the Interior, charged with overseeing the leasing (first lease required within 22 months of enactment), would

have to ensure that the oil and gas activities (including transportation) would result in “no significant adverse effect on fish and wildlife, their habitat, and the environment.” The Secretary would have to prepare an environmental impact statement for the leasing proposal under this bill (plus one leasing-plan alternative) before proceeding with any lease contract. Additionally, the Secretary would have to ensure that the leasing yields fair market receipts for the resources.

- **Scope of Leasing:** Requires that the maximum amount of surface coverage covered by production and support of lessee facilities could not exceed 2,000 acres (or 1% of the total refuge area). Leases authorized by this legislation would have to comply with all applicable provisions of federal and state environmental law and with other requirements outlined in the bill, such as:
 - limiting exploration to November 1 through May 1;
 - designing safety and construction standards for pipelines and access roads that minimize the adverse effects on migratory species (such as caribou) and on the flow of surface water;
 - requiring the removal of all equipment once exploration is completed;
 - protecting wetlands “to the extent practicable;”
 - avoiding or reducing air traffic-related disturbance to fish and wildlife;
 - planning for oil-spill contingencies;
 - avoiding significant adverse effects on subsistence hunting, fishing, and trapping; and
 - protecting cultural and archaeological resources.

Note: This subtitle specifies the terms on grants of leases, lease terms, and sales conditions.

- **Special Areas:** Allows the Secretary of the Interior to designate up to 45,000 acres of “Special Areas” for oil and gas leasing, requiring unique management and regulatory protection, pending consultation with state and local authorities. One of the Special Areas must be the 4,000-acre Sadlerochit Spring, and no Special Area could encompass lands with “surface occupancy.”
- **Public Access:** Allows for public input into siting plans and ensures reasonable access to public lands in ANWR for traditional uses.
- **Judicial Review:** Establishes expedited judicial review processes for complaints against the federal government regarding leases and lease applications in ANWR and limits the venue to the U.S. District Court of Appeals for the District of Columbia.
- **Revenue Sharing:** Provides that fifty percent of the leasing revenues collected by the federal government (via the Secretary of the Interior) would go to Alaska (in semiannual payments), and the balance would go to the U.S. Treasury as miscellaneous receipts.
- **Coastal Plain Local Government Impact Aid Assistance Fund:** Establishes the Coastal Plain Local Government Impact Aid Assistance Fund within the U.S. Treasury to help mitigate the potential effects of oil and gas exploration and development on local cultural values and municipal services. The Fund, which could never exceed \$11 million, would be funded with revenues from lease rents and royalties. Five million dollars per fiscal year is authorized to the Interior Secretary to deposit in the Fund.

- **State and Local Authority:** Specifies that nothing in this subtitle should be considered to expand or limit state or local regulatory authority.
- **Additional Background:** The Coastal Plain of the Arctic National Wildlife Refuge (the area addressed by this legislation) is comprised of about 1.55 million acres. ANWR, in total, comprises 19.6 million acres. For more background on ANWR, visit these webpages:
<http://resourcescommittee.house.gov/issues/emr/report/history.htm>
<http://resourcescommittee.house.gov/issues/emr/report/facts.htm>
<http://resourcescommittee.house.gov/issues/emr/report/resources.htm>
<http://resourcescommittee.house.gov/issues/emr/report/wildlife.htm>

Subtitle B: Miscellaneous Amendments Related to Mining

This subtitle would make various changes to current law related to mining on federal land, as follows:

- increases fees for locating and recording new mining claims;
- establishes a new schedule for annual fees charged to maintain existing mining claims;
- authorizes the Interior Department to resume patenting of mining claims and to collect the related fees (the prohibition of which had been sustained in the FY2006 Interior Appropriations Act signed into law this year);
- directs the Interior Department to sell certain federal lands (at \$1,000 per acre) where minerals have been found (shields the United States from liability for the condition or environmental needs of such lands).

Thirty percent of receipts from issuing patents and selling certain land would be automatically available, without further appropriation, for efforts to reclaim mining land and to support colleges, universities, and vocational schools that offer training in petroleum, mining, or mineral engineering.

Subtitle C: Disposal of Public Lands

- **Sale of Federal Land in Nevada and Idaho:** Direct the Secretary of the Interior to sell certain federal lands (detailed in the legislation) in Nevada and Idaho. The conveyances under this subtitle would be exempt from review, consultation, or approval under any other federal law. The United States would be shielded from liability for the condition or environmental needs of such lands. The proceeds from each sale would be allocated as detailed in the bill (some funds to the state, some to other local needs, and some to the U.S. Treasury).

Subtitle D: Oil Shale

- **Oil Shale Leasing:** Accelerates the development of oil shale and tar sands resources—both considered to be unconventional, yet up-and-coming, sources for oil. Though the technology for commercial development of these resources is not fully available, the Secretary of the Interior would be directed to begin leasing, within one year of the publication of the revised regulations required by this legislation, at least 35% of the federal lands that are geologically prospective for oil shale and tar sands within Colorado, Utah, and Wyoming.

- **Environmental Reviews:** Limits future environmental reviews of the leased lands.
- **Royalty Caps:** Caps the royalty rates for such leases at 3% of the gross value of production for the first ten years and provides for sliding-scale reductions in royalties if the price of crude oil drops below certain benchmarks.
- **Revenue Sharing:** Requires that 50% of any revenues collected by the leases be returned to the states where the leased lands are located. States could use such funds “for any lawful purpose as determined by State law” and would not have to tell the federal government what they do with the funds.
- **Additional Background:** Some minimal leasing of federal lands for oil shale is already underway, pursuant to the Energy Policy Act (Public Law 109-58). CBO regards this subtitle as accelerating the pace of, and expanding, this leasing.

Subtitle E: Ocean Energy Resources

Table 2. Savings/Spending, Outlays In Millions

	2006	2006-10
Increase in Outer Continental Shelf (OCS) Receipts	0	-1,625
Payments to State and Local Governments	0	558
Programs to Enhance Natural Resources	0	88
Programs to Enhance Mineral Engineering Education	0	70
Geologic Mapping	0	18
Subtitle E, Ocean Energy Resources	0	-891

- **OCS Leasing:** Increases leasing on (and thus oil-and-gas recovery from) the Outer Continental Shelf (OCS). The legislation authorizes states (i.e. governors with approval from their respective legislatures) to decide whether and where to allow new leasing for oil or natural gas within 125 miles of their respective coastlines, subject to approval from the Secretary of the Interior and other regulatory requirements (including permission from a neighboring state, as needed). Expedited approval would be provided for such petitions.

In addition, the Secretary of the Interior, starting in July 2013, would be directed to offer for leasing 75% of available (i.e. unleased) OCS areas beyond 125 miles of shore, pursuant to new management plans for those areas (and consultation with the Secretary of Defense and other relevant entities). The federal government would receive revenues from the leases themselves, from annual rents, and eventually from royalties.

Note: Under current law, moratoria through June 2012 generally prohibit new leasing and pre-leasing activities in most OCS areas outside of the western and central Gulf of Mexico (though leasing occurs in small parts of the eastern Gulf of Mexico and the Alaskan OCS).

- **New Direct Spending:** Authorizes the Secretary of the Interior to spend, without further appropriation action (i.e. **direct spending**), a portion of the proceeds from new OCS leases, as

well as specified percentages of amounts that would be collected under current law, from offshore *and onshore* mineral leases. This new direct spending includes:

- payments to state and local governments to share a portion of receipts from new and current-law OCS leases (detailed on a sliding scale in the legislation);
- new projects to enhance natural resources (see the bullet below about the new federal energy fund);
- grants and financial assistance to certain colleges, universities, and vocational schools that offer training in petroleum, mining, or mineral engineering (see the bullet below about the new professional development fund); and
- geologic mapping programs (see the bullet below about the new mapping fund).

➤ **State Use of Proceeds:** Restricts the state-and-local use of these revenue shares to:

- reducing in-state tuition;
- making transportation infrastructure improvements;
- reducing taxes;
- providing for environmental protection and restoration;
- improving OCS infrastructure for energy production;
- funding energy demonstration projects; or
- “any other purpose as determined by State law.”

Note: The legislation would, however, not require that states and localities account for these expenditures to the federal government.

➤ **Joint Bidders in Alaska:** Removes the restrictions on joint bidders on tracts in the Alaska OCS region and on “frontier” or “high-cost” tracts.

➤ **OCS Definition:** Expands the definition of the OCS to include certain lands surrounding Puerto Rico and other U.S. Territories.

➤ **Partial Relinquishment of Leases:** Allows for partial relinquishing of leases (with royalty incentives) so that the federal government could re-lease portions of the OCS that are geologically promising but that are not necessarily being developed under their current lease.

➤ **Multiple Leases:** Allows for multiple leases on the same tract of the OCS, if each lease applies to separate vertical depths, horizontal surface areas, or a combination of the two.

➤ **State Approval:** Requires approval from affected states for pipeline sitings.

➤ **Environmental Assessments:** Exempts lease suspensions and pre-leasing OCS activities from the need to prepare environmental assessments or environmental impact statements. In addition, the bill limits the environmental assessments necessary under the new OCS leasing program.

➤ **Natural Resources Enhancement Fund:** Establishes a Federal Energy Natural Resources Enhancement Fund, funded by receipts from mineral leasing royalties and sales, to create new projects for monitoring and managing fish and wildlife and the air, water, and other natural resources related to energy and mineral development on federal onshore and offshore lands (including “projects to teach young people to live off the land”). Disbursements could be made without further appropriations action from Congress. Two-thirds of the amounts in the Fund each year would have to be disbursed to states. Funds could not be used to buy land.

- **Existing Prohibitions:** Terminates the effect of all provisions of federal law prohibiting the expenditure of appropriated funds for OCS oil and natural gas leasing and pre-leasing activities.
- **Restricted Transportation Corridors:** Prohibits (subject to presidential waiver) the construction or operation of any facility, or the designation or maintenance of a restricted transportation corridor, on the OCS that would be incompatible with mineral exploration and leasing.
- **Service Renaming:** Renames the Minerals Management Service in the Department of the Interior as the “National Ocean Energy and Royalty Service.”
- **Use of Old Oil and Gas Platforms:** Authorizes decommissioned offshore oil and gas platforms and related facilities for culturing marine organizations, for an artificial reef, or for any scientific purpose. States could petition to opt-out of this provision.
- **Inventory of OCS Resources:** Repeals the requirement in the Energy Policy Act to conduct a comprehensive inventory of OCS oil and gas natural resources.
- **Mineral Engineering Education:** Establishes a Federal Energy and Mineral Resources Professional Development Fund, funded by receipts from mineral leasing royalties and sales, to provide money to certain colleges, universities, and vocational schools that offer training in petroleum, mining, or mineral engineering. Disbursements could be made without further appropriations from Congress. Funds could not be used to buy, lease, preserve, or repair land or a building. Schools accepting funds would have to maintain an energy and mineral research program for at least ten years after first accepting the federal money. The Secretary of the Interior would have to appoint a 17-person committee to make recommendations regarding the disbursement of these education funds.
- **Mineral Lease Fees:** Prohibits the levying of mineral lease fees that were not in effect on January 1, 2005, and limits the increasing of any existing fees to the Consumer Price Index since the last date that the fees were set.
- **OCS Headquarters:** Requires the Secretary of the Interior to establish a headquarters for the Atlantic OCS Region and a headquarters for the Pacific OCS Region in willing states.
- **Geologic Mapping:** Establishes a National Geologic Data and Mapping Fund, funded by receipts from mineral leasing royalties and sales, to conduct geologic mapping and preserve and make available geologic data. Disbursements could be made without further appropriations from Congress. Two-thirds of the amounts in the Fund each year would have to be disbursed to states. Funds could not be used to buy land.
- **Leases Within 100 Miles off the Coast (FL & CA):** Gives lessees located within 100 miles of the coast of Florida or California the option of exchanging their respective leases for new leases between 100 and 125 miles off the coast. The old leases would be cancelled. In addition, the bill prohibits new oil and gas leases within 100 miles of the coast of Florida and California before July 1, 2012.

Subtitle F: Sale and Conveyance of Federal Land

- **Sale of National Park Service Lands in DC:** Directs the Secretary of the Interior to sell at fair market value about 150 acres of National Park Service (NPS) lands in the District of Columbia. Ten million dollars of the proceeds (from selling Poplar Point) could be spent without further appropriation from Congress for potential relocation of existing facilities on this land.
- **Conveyance of NPC Lands to DC:** Directs the Secretary of the Interior to convey various additional National Park Service lands to the District of Columbia.
- **Disabled Veterans Memorial Site:** Transfers the administrative jurisdiction over various federally owned lands from the District of Columbia to the National Park Service. In addition, the bill designates one parcel as the future site for a disabled veterans memorial (for which the District would retain subsurface administrative jurisdiction).

Does this Title Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

RSC Staff Contact: Paul S. Teller, paul.teller@mail.house.gov, (202) 226-9718
